E-015/GR-87-223DENYING PETITION WITHOUT PREJUDICE

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of the Petition of Minnesota Power & Light Company,d/b/a Minnesota Power, for Authority to Change Its Schedule of Rates for Retail Electric Service in the State of Minnesota

ISSUE DATE: January 11, 1989

DOCKET NO. E-015/GR-87-223

ORDER DENYING PETITION WITHOUT PREJUDICE

PROCEDURAL HISTORY

On March 1, 1988, the Minnesota Public Utilities Commission (the Commission) issued its FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in this matter. On May 16, 1988, the Commission issued its ORDER AFTER RECONSIDERATION AND REHEARING in this proceeding which directed Minnesota Power & Light Company (MP or the Company) to decrease gross annual utility operating revenues by approximately $8.34 million.

On October 19, 1988, MP filed a Petition to Amend Orders To Suspend AFPO Credit. The Company asked the Commission to amend its March 1 and May 16, 1988 Orders in this matter pursuant to Minn. Stat. § 216B.25 (1986). The Company asked that the Commission allow MP to suspend flowing through to ratepayers the allowance for plant phase out (AFPO). In addition, the Company asked that the Commission establish a mechanism for accumulating prior AFPO amounts already flowed through to ratepayers and for recovering them in a future proceeding. The Company argued that events since those Orders have created uncertainty that MP's sale of 40% of its Boswell 4 plant to Northern States Power Company (NSP) will proceed on the terms contemplated in the rate case.

By its notice of October 21, 1988, the Commission gave all parties an opportunity to file written comments and replies regarding the procedures which the Commission should use to consider this matter.

The Company, the Department of Public Service (DPS or the Department), the Residential Utilities Division of the Office of the Attorney General (RUD-OAG), Taconite Intervenors, the Superwood Group, and Potlatch Corporation filed comments/replies.
With the exception of the Company, all commenting parties opposed granting MP's Petition.

FINDINGS AND CONCLUSIONS

The Commission must decide whether to reopen and amend its March 1 and May 16, 1988 Orders in this proceeding.

The Commission notes that MP entered into a contract to sell 40 percent of its Boswell 4 plant to NSP. The current contract price exceeds the net book value of the Boswell 4 plant. In its most recent general rate case, the Company offered to begin passing on to ratepayers the gain from the Boswell 4 sale in advance of the actual sale. The Commission approved the proposed advanced credits, termed allowance for plant phase out (AFPO) in this case.

The Company stated that as of November 1, 1988, credits of approximately $8.8 million are occurring annually and credits worth approximately $12.3 million, including a carrying charge, have been made.

NSP has announced its intention to terminate the purchase agreement. MP argued that this would eliminate the gain which provided the justification of the AFPO credit. MP seeks Commission authority to suspend the AFPO credit in current rates until NSP is required to proceed with its purchase of an interest in Boswell 4. If this were allowed, instead of the $8,342,232 rate reduction ordered by the Commission, MP asserted that rates would increase by $469,484, or the Company's revenue requirement would increase by approximately $8.8 million. MP proposed an allocation of the increase to classes which it claimed would follow the rate case rate design.

The Commission finds that it cannot determine whether, or to what extend, MP's present rates are inadequate by looking at the AFPO credit issue in isolation. Other elements affecting MP's revenues, expenses, and rate base may also have changed since the March 1 and May 16 Orders were issued. Also, if the Boswell 4 sale is not completed, additional issues may need to be addressed in determining fair and reasonable rates. The Commission finds that the Company has failed to provide sufficient information to address these issues. The Commission is unable to consider AFPO in isolation and concludes that it will deny the Company's petition.

ORDER

1. Minnesota Power's Petition to Amend Orders and Suspend AFPO Credit is hereby denied without prejudice.

2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)